

USAID TRADE, INVESTMENT AND BUSINESS ACCELERATION PROJECT
Quarterly Report – April 2007

Date: April 15, 2007

To: Kevin Sharp, Deputy Director, Office of Economic Growth, USAID/Kyiv (Ukraine)

From: Bill Seas, Project Manager, Booz Allen Hamilton

Re: Quarterly Report – April 2007

CC: Mr. Patrick Rader, Chief of Party, Booz Allen Hamilton

1. Project Identification:

Title: USAID Trade, Investment and Business Acceleration Project

Contractor: Booz Allen Hamilton Inc. with EIF, EMG, and IIFSQ

Contract Number: AFP-I-00-04-00005-00

Task Order No.: 05

2. Project Performance Dates:

Period of Performance: December 11, 2006 – December 10, 2008

Start Date: December 11, 2006

Report Date: April 16, 2007

Report Number: 1

Anticipated Completion Date: December 10, 2008

I. PROJECT PURPOSE AND APPROACH

The U.S. Agency for International Development (USAID) launched the Trade, Investment, and Business Acceleration (TIBA) project to provide technical assistance to the Government of Ukraine (GOU), regulatory administrators, and the private sector, through supporting trade in goods and services in accordance with World Trade Organization (WTO) rules, and implementing regulatory reform to establish a business-friendly legal environment that encourages small and medium-sized enterprise (SME) growth and attracts investment.

Component I: WTO Accession and Post Accession

Objective 1: Ukraine Accedes to World Trade Organization

Objective 2: GOU Fulfills WTO Commitments

Objective 3: Ukraine's Businesses Benefit from Ukraine's Accession into WTO

Approach: WTO accession is a process driven activity. To accelerate this process, it is critically important to identify, coordinate, and manage multiple procedural steps along the path to full membership. For WTO accession of the Ukraine, the team will engage stakeholders in a participatory process to advance accession and reform and will focus on capacity building of the Ministry of the Economy and other relevant authorities, such as the VR Committee on European Integration and the Office of the Deputy Prime Minister. The team will facilitate private-public partnerships when formulating reform measures and building political support for advancing WTO-related reform. The team will keep all stakeholders informed about the status of accession and outstanding issues. The team will develop the technical capacity to properly understand reform and implement remaining accession steps via training sessions and ongoing seminars.

At the most basic level, the challenge to the Government of Ukraine in its efforts to join the WTO is to introduce economic and legal reforms to improve the efficiency of the economy, raise levels of foreign investment, make SME's more competitive, and stimulate economic growth. WTO membership requires compliance with dozens of trade and investment-related laws and regulations. The team will first determine which laws and regulations can be adjusted prior to WTO accession and will seek their speedy reform, and continue the process after WTO accession.

WTO membership is predicated on a government's ability to employ a wide variety of governmental structures to develop, review, and execute trade policy in general and trade policy with respect to WTO in particular. The team will focus on improving the processes of institutions that are critical to the implementation of WTO commitments. The team will also provide other WTO support as requested by the Ministry of Economy and USAID.

The team will follow the effective approach used under the previous USAID WTO Project and the Agricultural Policy, Legal and Regulatory Reform Project, by forming working groups and prioritizing reforms. Working groups will be formed on standards setting including *Codex Alimentarius*, OIE, IPPC and other agricultural standards (ICAR, Interbull). The team will assist GOU in implementing the mandatory standard-setting procedures under the WTO Code of Good Practice (adopted in Ukrainian TBT legislation) to ensure participation, transparency and notification to private sector and WTO Members.

To help businesses, particularly SME's, benefit from Ukraine's WTO accession, enter global markets, and expand to new markets, the team will work closely at the national and local levels—in the context of NCC Working Groups—with relevant business associations, particularly food associations; the Ukrainian Union of Entrepreneurs of SMEs; and the Union of Industrialists and Entrepreneurs. The team will help local private sector resources to roll out activities and maximize the use of informational facilities and services. The team will build awareness and guide SME's on how to benefit from Ukraine's accession and how to increase exports. To complete this effort the team will

develop technical materials such as manuals and training guides and will provide ongoing technical advice.

Component II: Improvement of the Business Environment

Objective 4: Reduce the Cost of Doing Business in Ukraine

Approach: As passage of the Regulatory Policy Law and the Permit System Law demonstrates, positive change in Ukraine results from a combination of internal and external pressures. The team will increase private sector understanding of how GOU agencies should regulate business and increase reformers' advocacy ability, and thus create a sense of urgency and demand for public sector reform irrespective of the political party in control. A targeted strategic communication strategy and a series of workgroup sessions, training, and conferences will underpin component level programming and galvanize public and private sector participation and support for TIBA's objectives.

Component III: Streamlining and Enforcing Regulations

Objective 5: Reduce corruption related to granting land owner and user rights, access to utilities, and construction permits.

Approach: The efforts of the team throughout the tasks described for Component III will focus on reducing corruption by reducing the opportunities for corruption. The team will achieve this goal through several measures: (a) helping make processes more efficient, simple, and transparent; (b) helping improve the wording of selected laws and regulations by suggesting amendments aimed at making them more efficient, stronger, and/or enforceable and by reducing discretionary powers; (c) increasing automation or introducing automation into processes, when possible; (d) increasing the public's knowledge about processes, laws, and regulation, for greater transparency; and (e) increasing overall awareness of the negative effects of corruption on Ukraine's overall development.

The team will work closely with the Ministry of Architecture, Construction, and Communal Services State Committee for Land Resources, Ministry of Justice, the State Committee for Regulatory Policy and Entrepreneurship, State Customs Service and other relevant central executive bodies, corresponding committees within Parliament, self-government (municipal) authorities of Ukrainian cities, the Ukrainian Construction Association, and the Association "Center for Support of Regulatory Reform" to complete the tasks and achieve the expected results of Component III objective.

As provided in the RFP, successful implementation of Component III is conditional upon USAID approval of the GOU Threshold Country Program (TCP) Implementation Plan and the GOU's fulfillment of the plan.

II. SIGNIFICANT EVENTS

Component I: WTO Accession and Post Accession

None at this time

Component II: Improvement of the Business Environment

None at this time.

Component III: Streamlining and Enforcing Regulations

- The Verkhovna Rada adopted amendments to the Code on Administrative Infringements on 2/8. This law will now give authority to SCRPE to institute administrative proceedings if

officials violate the Permit System Law (terms of issuing permits, procedures of issuing permits). These amendments will help strengthen the PSL at the local level.

III. WORK PLAN STATUS

See Annex A.

IV. PERFORMANCE MONITORING PLAN

See Annex B.

V. REPORTS AND DELIVERABLES

Title	Type	Date	Versions
Component I: WTO Accession and Post Accession			
Procurement System in Ukraine <i>Draft</i>	Report	03/15/2007	English Ukrainian
Analysis of the Two Competing Draft Laws on State Market Supervision	Report	03/01/2007	English Ukrainian
Review of Proposed Amendments to the Law of Ukraine “On Safety and Quality of Food Products” (Draft law 2580)	Report	03/12/2007	English Ukrainian
Component II: Improvement of the Business Environment			
The School of Efficient Municipal Management based on the Principles of State Regulatory Reform and Enhanced Entrepreneurial Initiatives. <i>Practical guide on regulatory management for mayors, city council deputies, citizens, entrepreneurs, NGOs, advisory institutions</i>	Manual	03/30/2007	Ukrainian

VI. ISSUES AFFECTING IMPLEMENTATION

The GOU is currently more focused on politics than legal and regulatory reform. As such, it has been difficult to engage key stakeholders for implementation of Component II and III.

The Ministry of Construction, Architecture, and Communal Services was split into two separate ministries (Ministry of Communal Services and Ministry for Regional Policy and Construction). A formal structure and responsible officials have yet to be appointed below the Minister level.

Cabinet of Ministers Resolution No. 69 regarding elimination of the State Committee for Land Recourses was adopted 01/31/2007.

In accordance with this resolution:

1. State Committee for Land Recourses was temporarily transformed to the State Agency for Land Resources under supervision of the Ministry of Environmental Protection.
2. Ministry of Environmental Protection has two months to prepare a proposal regarding the future status and functions of the new central executive body responsible for land resource issues and submit it to the government.

To date, the Ministry of Environmental Protection has not finalized their proposal.

The GOU has yet to complete and submit its TCP Implementation Plan to USAID for approval. As a result, and in accordance with the task order, TIBA does not have a work plan for Component III.

VII. FINANCIAL REPORT

See Annex C.

VIII. MAJOR ACTIVITIES PLANNED FOR NEXT QUARTER

Meeting with GOU partners to discuss RIA/RIE implementation on April 20, 2007 and identify problems to address for inclusion in Task 4.2.